Financial Statements
(Expressed in thousands of dollars)

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Year ended March 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of British Columbia Mental Health Society (Riverview) Branch

We have audited the accompanying financial statements of British Columbia Mental Health Society Branch which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Mental Health Society (Riverview) Branch as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Accountants

June 21, 2012
Vancouver, Canada

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	$ 364	$ 224
Restricted cash	36	63
Accounts receivable (note 2)	58,921	53,480
Inventories of materials and supplies (note 3)	121	272
Prepaid expenses (note 14)	3,638	3,116
	63,080	57,155
Capital assets (note 4)	169	1,133
	$ 63,249	$ 58,288
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 21,036	$ 27,313
Deferred contributions for designated purposes (note 6)	275	252
Current portion of retirement allowance (note 7(a))	418	473
	21,729	28,038
Retirement allowance (note 7(a))	2,510	2,755
BC Public Service Long Term Disability Plan (note 7(b))	11,530	-
Deferred capital contributions (note 8)	169	1,124
	35,938	31,917
Net assets:		
Invested in capital assets (note 9(a))	-	9
Unrestricted	27,311	26,362
	27,311	26,371
	$ 63,249	$ 58,288

Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Operations
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenues:		
Provincial Health Services Authority contributions	$ 70,923	$ 65,672
Medical Services Plan	2,712	4,352
Other (note 11(b))	850	351
Amortization of deferred capital contributions	397	575
Other contributions (note 11(a))	72	81
Research and designated contributions	525	1,003
	75,479	72,034
Expenses:		
Compensation and benefits (note 12)	45,159	48,042
Equipment and building services	14,146	9,283
Referred-out and contracted services (note 11(c))	10,171	7,797
Sundry (note 11(e))	2,669	2,871
Supplies (note 11(d))	1,463	2,419
Amortization of capital assets	399	577
Loss on disposal of capital assets	7	-
Research and designated expenses	525	1,003
	74,539	71,992
Excess of revenues over expenses	$ 940	$ 42

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Changes in Net Assets (Deficiency)
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	Invested in capital assets	Unrestricted	Total 2012	Total 2011
Balance, beginning of year	$ 9	$ 26,362	$ 26,371	$ 26,329
Excess (deficiency) of revenues over expenses	(9)	949	940	42
Balance, end of year	$ -	$ 27,311	$ 27,311	$ 26,371

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash flows from operating activities:		
Excess of revenues over expenses	$ 940	$ 42
Items not involving cash:		
Amortization of capital assets	399	577
Amortization of deferred capital contributions	(397)	(575)
Retirement allowance expense	262	294
Loss on disposal of capital assets	7	-
Net change in non-cash operating items (note 13(a))	(509)	(205)
	702	133
Cash flows from investing activities:		
Purchase of capital assets	(11)	(16)
Cash flows from financing activities:		
Capital contributions	11	16
Retirement allowance benefits paid	(562)	(222)
	(551)	(206)
Increase (decrease) in cash	140	(89)
Cash, beginning of year	224	313
Cash, end of year	$ 364	$ 224

See accompanying notes to financial statements.

The British Columbia Mental Health Society (Riverview) Branch (the "Branch") is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority") which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health and is one of six Health Authorities in British Columbia ("BC"). The Branch provides mental health care services to British Columbians and is dependent on the Ministry of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act* of Canada, and as such is exempt from income and capital taxes.

The following agencies/programs are also included in PHSA:

British Columbia Cancer Agency Branch;

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch;

Emergency and Health Services Commission;

Forensic Psychiatric Services Commission;

Health Shared Services BC; and

Mental Health and Addictions Research Institute.

Effective December 31, 2001, the above noted branch societies except for the Mental Health and Addictions Research Institute, Health Shared Services BC, and Emergency and Health Services Commission were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Branch follows the deferral method of accounting for contributions which include donations and government grants.

Under the *Hospital Insurance Act and Regulations* thereto, the Branch is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry of Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are depreciated. Contributions restricted for the purchase of non-depreciable capital assets are recognized as a direct increase in net assets.

(c) Asset and service contributions:

Volunteers contribute a significant amount of time each year to assist the Branch in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

(d) Inventories of materials and supplies:

Inventories, consisting of pharmaceutical and other materials and supplies, are recorded at the lower of weighted average cost and replacement cost.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Branch records amortization on its assets on a straight-line basis over the useful life of the assets as follows:

Leasehold improvements	Lease term to a maximum of 20 years
Equipment	3 - 20 years
Software license fees	3 - 5 years
Vehicles	4 - 7 years

1. Significant accounting policies (continued):

(f) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees, and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees. The average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2011 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed.

(g) Asset retirement obligations:

The Branch recognizes an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

(h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include determination of rates of amortization of capital assets, recognition of asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued retirement allowance benefits and accrued liabilities resulting from implementing the Mental Health Plan. Actual results could differ from the estimates.

1. Significant accounting policies (continued):

(i) Financial instruments:

The Branch has designated all non-derivative financial assets and liabilities as held-for-trading with the exception of certain obligations designated as other liabilities and receivables which are designated as held-to-maturity.

- The Branch initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held-for-trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities are recorded at amortized cost.
- All transaction costs incurred on receivables and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method.

Assets and liabilities classified as available for sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are de-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Branch has not classified any assets or liabilities as available for sale.

Derivative instruments are recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of the transaction that received hedge accounting.

The Branch's financial instruments include cash, restricted cash, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Branch is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values.

The Branch has elected not to apply the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3862, *Financial Instruments - Disclosure*, and 3863, *Financial Instruments - Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Branch has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

1. Significant accounting policies (continued):

(j) Future accounting framework:

Effective April 1, 2012, the Branch will transition to a new accounting framework which will include Public Sector Accounting Standards supplemented by directives from the Government of British Columbia's Treasury Board.

The transition to the new accounting framework will be applied on a retrospective basis. The Branch is reviewing the impact of these changes on the financial statements.

2. Accounts receivable:

	2012	2011
Provincial Health Services Authority	$ 58,541	$ 52,567
Ministry of Health	149	632
Federal and provincial sales taxes	101	132
Other health authorities and BC government reporting entities	44	6
Patients, clients and agencies	3	-
Other	83	143
	$ 58,921	$ 53,480

3. Inventories of materials and supplies:

The Branch's inventories of $121 (2011 - $272) are recorded at the lower of weighted average cost and replacement cost and consist of pharmaceutical and other materials and supplies. During the year, $1,112 (2011 - $1,688) of inventories were expensed by the Branch.

4. Capital assets:

2012	Cost	Accumulated amortization	Net book value
Leasehold improvements	$ 1,280	$ 1,279	$ 1
Equipment	12,290	12,126	164
Software licenses	34	34	-
Vehicles	18	14	4
	$ 13,622	$ 13,453	$ 169

4. Capital assets (continued):

2011	Cost	Accumulated amortization	Net book value
Leasehold improvements	$ 1,872	$ 1,753	$ 119
Equipment	15,214	14,211	1,003
Software licenses	34	32	2
Vehicles	167	158	9
	$ 17,287	$ 16,154	$ 1,133

5. Accounts payable and accrued liabilities:

	2012	2011
Trade accounts payable and accrued liabilities	$ 7,350	$ 6,329
Accrued Mental Health Plan costs (note 12)	10,255	15,213
Salaries and benefits payable	1,917	3,361
Accrued vacation pay	1,478	2,347
Patient trust funds	36	63
	$ 21,036	$ 27,313

6. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent contributions for research and other specified purposes. These deferred contributions will be recorded as revenue in the statement of operations when the related expenses are incurred.

	2012	2011
Deferred contributions for designated purposes, beginning of year	$ 252	$ 475
Less amount recognized as revenue in the year	(525)	(1,003)
Add amount received for future periods	548	780
Deferred contributions for designated purposes, end of year	$ 275	$ 252

7. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by the collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Branch's liabilities are based on an independent actuarial valuation performed as at the early measurement date of December 31, 2009 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2012 are derived, and an extrapolation of the valuation performed as at December 31, 2009, from which the March 31, 2012 accrued benefit obligations are derived. The next required valuation will be as of December 31, 2012.

Information about retirement allowance benefits is as follows:

	2012	2011
Accrued benefit obligation:		
Sick leave benefits	$ 7	$ 14
Severance benefits	2,741	2,846
Total unfunded obligation	2,748	2,860
Balance of unamortized amounts	180	368
Accrued retirement allowance benefits	2,928	3,228
Current portion	418	473
Long-term portion	$ 2,510	$ 2,755
Retirement allowance expense	$ 262	$ 294
Benefits paid	562	222

7. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Branch's retirement allowance liabilities are as follows:

	2012	2011
Accrued benefit obligation as at March 31:		
Discount rate	4.30%	5.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.25%	6.25%
Rate of compensation increase	2.50%	2.50%

(b) BC Public Service Long Term Disability Plan:

The BC Public Service administers the Long Term Disability Plan (the "Plan") for the employees of the Branch and other provincially-funded organizations. The Plan is a multiple-employer plan with the Branch's assets and liabilities for these long-term disability benefits segregated.

At March 31, 2012, the Branch assumed financial responsibility of the Plan for the employees of the Branch and accordingly the net liability is reflected in these financial statements as of the transfer date.

The Branch's March 31, 2012 liability is based on an actuarial valuation using an early measurement date of December 31, 2011. The next required valuation will be as of December 31, 2012.

The assets of the Plan are valued at market and consist of direct ownership in units of pooled investment portfolios managed by the British Columbia Investment Management Corporation.

7. Employee benefits (continued):

(b) BC Public Service Long Term Disability Plan (continued):

Information about the employee long-term disability benefits is as follows:

		2012
Accrued benefit obligation	$	12,748
Fair value of plan assets		1,189
Net unfunded obligation, December 31		11,559
Balance of unamortized amounts		(220)
Contributions to the plan, January to March		(249)
Accrued long-term disability liability	$	11,530

The significant actuarial assumptions adopted in measuring the accrued long-term disability benefits are as follows:

	2012
Accrued benefit obligation as at March 31:	
Discount rate	6.00%
Rate of benefit increase	2.00%
Benefit cost for years ended March 31:	
Discount rate	6.00%
Rate of benefit increase	2.00%

(c) Employee pension benefits:

The Branch and its employees contribute the Public Service Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act.*

Employer contributions to the Public Service Pension Plan of $1,924 (2011 - $2,731) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2011 indicated an unfunded liability of $275,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 57,000 active members of which 419 are employees of the Branch. The next valuation will be as at March 31, 2014 with results available in 2015.

8. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2012	2011
Deferred capital contributions, beginning of year	$ 1,124	$ 1,683
Provincial Health Services Authority	-	16
Other	11	-
	11	16
Unamortized deferred capital contributions transferred to PHSA	(569)	-
Less amortization for the year	(397)	(575)
Deferred capital contributions, end of year	$ 169	$ 1,124

9. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2012	2011
Capital assets	$ 169	$ 1,133
Amounts financed by:		
Deferred capital contributions	(169)	(1,124)
	$ -	$ 9

(b) Deficiency of revenues over expenses:

	2012	2011
Amortization of deferred capital contributions	$ 397	$ 575
Amortization of capital assets	(399)	(577)
Loss on disposal of capital assets	(7)	-
	$ (9)	$ (2)

9. Invested in capital assets (continued):

(c) Transfer to invested in capital assets:

	2012	2011
Purchase of capital assets	$ 11	$ 16
Net book value of assets transferred to PHSA	(569)	-
Amounts funded by:		
Deferred capital contributions	(11)	(16)
Unamortized deferred capital contribution relating to assets transferred to PHSA	569	-
	$ -	$ -

10. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2013	$ 107
2014	86
2015	84
2016	84
2017	84
Thereafter	2,608
	$ 3,053

(b) Litigation and claims:

The nature of the Branch's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2012, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Branch's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

(c) Risk management:

Risk management and insurance services for all Health Authorities in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

11. Statement of operations:

(a) Other contributions:

	2012	2011
Other Ministries	$ 69	$ 81
Other	3	-
	$ 72	$ 81

(b) Other revenues:

	2012	2011
Recoveries from other health authorities and BC government reporting entities	$ 599	$ 49
Recoveries from sales of goods and services	241	298
Other	10	4
	$ 850	$ 351

(c) Referred out and contracted services:

	2012	2011
Other health authorities and BC government reporting entities	$ 5,815	$ 3,501
Private contractors	4,356	4,296
	$ 10,171	$ 7,797

(d) Supplies:

	2012	2011
Food and dietary	$ 545	$ 883
Drugs and medical gases	516	781
Printing, stationery and office	107	86
Medical and surgical	56	146
Diagnostic	53	91
Laundry and linen	22	32
Housekeeping	11	20
Other	153	380
	$ 1,463	$ 2,419

11. Statement of operations (continued):

(e) Sundry:

	2012	2011
Professional fees	$ 1,339	$ 983
Travel	116	173
Communication and data processing	21	27
Other	1,193	1,688
	$ 2,669	$ 2,871

12. Compensation and benefits:

The Branch is in the process of implementing the Mental Health Plan (the "Plan") approved by the Ministry of Health. The purpose of the Plan is to decentralize mental health care services throughout British Columbia. The Plan will be substantially completed in the coming year and will culminate in cessation of the operations of the Branch. The anticipated costs of the plan consist of severance, benefits and related expenses.

In the prior year, the financial statements included accruals for the compensation, benefits and employment security expenses of $15,213. As at March 31, 2012, management has revised the estimated accrual to account for the reduction in the number of eligible employees which resulted in a decrease in the accrual of $946. During the year, $4,012 was paid out as severance, benefits and related expenses. The total remaining accrual of $10,255 is recorded in Accrued Mental Health Plan costs. These amounts represent management's best estimate of the expenses required to implement the plan. However, other expenses may be incurred and recorded in future years as the plan is implemented.

13. Statement of cash flows:

(a) Net change in non-cash operating items:

	2012	2011
Net change in non-cash operating items:		
Restricted cash	$ 27	$ 21
Accounts receivable	6,089	7,241
Inventories of materials and supplies	151	44
Prepaid expenses	(522)	462
Accounts payable and accrued liabilities	(6,277)	(7,750)
Deferred contributions for designated purposes	23	(223)
	$ (509)	$ (205)
Non-cash transactions:		
Assumption of BC Public Service Long Term Disability Plan liability and related amount receivable from PHSA	$ 11,530	$ -

(b) Purchase of capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from purchase of capital assets on the statement of cash flows.

	2012	2011
Purchase of capital assets (note 9(c))	$ 11	$ 16
Non-cash transactions:		
Capital assets transferred to PHSA	$ (569)	$ -

14. Related entity:

(a) Foundations and auxiliaries:

The Branch has an economic interest in the British Columbia Mental Health Foundation (the "Foundation") which is responsible for fundraising activities of the Branch. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia* and is a registered charity under the provisions of the *Income Tax Act* of Canada. The net assets and results from operations of the Foundation are not included in the financial statements of the Branch.

14. Related entity (continued):

(a) Foundations and auxiliaries (continued):

At March 31, 2012, the Foundation held net assets of $934 (2011 - $932) to be used for patient care, education, and capital expenditures at the Branch.

During 2012 and 2011, the Branch did not receive contributions from the Foundation.

(b) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by the PHSA without charge. The costs of these services have not been recorded in the financial statements of the Branch.

During the year, the Branch was involved in the following related party transactions with the other PHSA members listed in note 1:

For the year ended March 31, 2012, expenses include $877 (2011 - $857) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.

During fiscal year 2009, the Branch commenced occupying space within the Child and Family Research Institute Building, which is owned by a related party, the Children's & Women's Health Centre of British Columbia Branch. As at March 31, 2012, $3,028 (2011 - $3,112) of lease payments were prepaid, and $84 (2011 - $444) of lease costs were expensed during the year.

15. Capital management:

The Branch receives its principal source of capital through funding received from the Ministry of Health. The Branch defines capital to be net assets and deferred capital contributions.

The Branch's objective when managing capital is to fund its operations and capital asset additions, and to conduct research in the field of health care. The Branch manages the capital structure in conjunction with the Ministry of Health and makes adjustments based on available government funding and economic conditions. Currently, the Branch's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Health.

The Branch is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter. The Branch has complied with the external restrictions on funding provided.

16. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.